

## Medical & Recreational Marijuana Stores in the US

- Includes edibles, ingestibles, pre-rolls, accessories, topicals, flower, cartridges, concentrates
- Complements - cigarettes, tobacco
- No major players in this industry in the US, very fragmented

## Key Takeaways

- revenue has climbed at an expected CAGR of 20.8% through the current period to \$40.5 billion, including a 9.7% jump in 2024, where profit reached 18.1% of revenue.
- Recreational marijuana sales have outpaced medical marijuana. While medicinal markets are more readily accepted, recreational marijuana usage has skyrocketed, leading to stellar growth through the current period.
- Regulation remains the main obstacle for dispensaries. The sale of marijuana remains illegal at the federal level, which creates conflicting rules depending on the jurisdiction. • New products have facilitated consumer interest from more hesitant demographics. Edibles, oils and other extracts have become especially popular, driving revenue growth alongside legalization efforts.
- Biggest barrier - legalization/regulations. Cannabis markets will remain at risk until the federal government definitively changes its position on the legality of marijuana. The Drug Enforcement Agency released a proposal to re-classify cannabis as a Schedule III drug, but hasn't acted on this proposal.
- The development of edible cannabis products (edibles) has spurred greater consumer acceptance of medical and recreational marijuana over the past decade. These products are easily consumable, taking the form of food, extracts and oils. Common products range from marijuana-infused mints and candies to baked goods and beverages, among many other products.
- Although expenditure on products essential for health is less susceptible to fluctuations in consumer spending, medical marijuana's unique nature makes it subject to changes in disposable income. The same is largely true for recreational marijuana. Since consumers pay for recreational marijuana out of pocket, growth in per capita disposable income boosts demand for marijuana products.
- Sales typically spike around major events and holidays, like 4/20 and Thanksgiving, leading to erratic revenue streams. Stores may also face slow periods before and after these peaks. Pop culture events and family gatherings often attract first-time buyers.
- To be successful in this business - Regulations are constantly changing. Dispensaries must comply with the latest legislation or endure fines and arrest, and they must be able to adjust to changing regulation quickly and smoothly. This can help an individual dispensary moderate volatility & Develop a loyal customer base (Dispensaries in areas that are more mature and have had the time to develop a loyal customer base will have an easier time navigating volatility.)

Innovation in this industry is important

- Dispensaries are expanding their online presence, enabling customers to browse product offerings, compare prices, and place orders online to take advantage of a flourishing e-commerce environment following the pandemic.
- As part of the online expansion, many marijuana stores now offer curbside pick-up and home delivery options. This added convenience caters to customers' demand for flexibility and helps retailers adapt to the ongoing demand for speedy, contactless shopping experiences post-coronavirus.
- Dispensaries are focusing on hiring employees who specialize in marijuana to offer expert customer service in stores. These professionally trained experts specialize in cannabis strains, effects, and pairings.
- Having knowledgeable staff members take the customer experience to a new level by offering tailored recommendations based on individual preferences, needs, and even experiences. Offering specialized customer service can differentiate dispensaries and attract new customers, encourage store loyalty and build a strong brand reputation.

What is influencing demand

- generation Z is largely accepting of legalizing the medical and recreational use of marijuana, they comprise a significant amount of revenue, even though the majority of ages in this segment are below 21. This market will rapidly expand through the outlook period as Gen Z consumers age into the legal range and develop more purchasing power, enabling them to buy more premium and unique products.

### Major Markets Segmentation

Industry revenue in 2024 broken down by key markets



IBISWorld

Source: IBISWorld

# Life Cycle

Growth

## Why is the industry growing?

### Contribution to GDP

Medical and recreational marijuana stores heavily contribute to the US economy, displaying skyrocketing market acceptance and robust contribution to GDP, especially as more states legalize sales and usage.

### Market Saturation

Market saturation varies significantly, considering the industry's complex legal status. Some states outright ban sales while others have strict limits on the number of marijuana retail licenses available.

### Innovation

Marijuana dispensaries have become more innovative by offering online shopping and delivery options. These practices can help encourage first-time and repeat buyers, addressing a wider market than storefront sales alone.

### Consolidation

Larger marijuana dispensaries will continue to acquire smaller stores. Consolidation has slowed because of high interest rates and low cannabis stock prices. Franchising is also a common strategy, enabling smaller stores looking to gain access to a more recognizable brand.

### Technology and Systems

Companies regularly improve point-of-sale, inventory management and storage systems. Dispensaries have also updated technology by launching websites and offering online ordering or delivery.

## Products and Services Segmentation

### Products & Services Segmentation

Industry revenue in 2024 broken down by key product and service lines.



- Flower products (\$22.1bn) 54.5%
- Concentrates (\$8.0bn) 19.7%
- Pre-rolled joints (\$6.2bn) 15.3%
- Edibles and ingestibles (\$3.2bn) 8.0%
- Accessories (\$728.6m) 1.8%
- Topicals (\$161.9m) 0.4%
- Cartridges (\$121.4m) 0.3%

IBISWorld

Source: IBISWorld

SWOT analysis

SWOT	
Strengths	High & Decreasing Barriers to Entry High & Increasing Level of Assistance Growth Life Cycle Stage Low Imports High Profit vs. Sector Average Low Product/Service Concentration Low Capital Requirements
Weaknesses	High Competition High Volatility High Customer Class Concentration
Opportunities	Very High Revenue Growth (2005-2024) High Revenue Growth (2019-2024) High Revenue Growth (2024-2029) Per capita disposable income
Threats	Low Outlier Growth Low Performance Drivers Population

Industry Structure

Industry Structure		
Characteristic	Level	Trend
Concentration	Low	
Barriers To Entry	High	Decreasing
Regulation and Policy	High	Increasing
Life Cycle	Growth	
Revenue Volatility	High	
Assistance	High	Increasing
Competition	High	Increasing
Innovation	Low	

### Porter's five forces

- Marijuana dispensaries compete on price, quality and product offerings. Stronger customer service can also generate repeat customers and help differentiate from competitors.
- Medical marijuana stores face steep external competition. Many consumers still opt for traditional medicine and pharmaceuticals instead of relying on medicinal cannabis.
- Affect customer behavior- The number of medical and recreational marijuana stores within a given jurisdiction is closely regulated, which makes it difficult for companies to open new market share. This makes attracting consumers to their existing locations paramount. While cannabis products are growing in popularity, it's still a relatively niche product. Keeping those customers coming back can be a way to secure a higher market share
- Brand recognition also helps attract repeat customers. Consumers are more likely to go back to a product with which they had a good experience, instead of trying something new.
- Marijuana dispensaries that operate in multiple locations benefit from economies of scale. These companies, like Planet 13, have more established relationships with suppliers than smaller outlets and have a more easily recognized brand and reputation.
- Barriers to entry - (Start up costs) Potential dispensaries must acquire a visible location, hire employees, purchase inventory and spend money on licensing fees. Since the cultivation, distribution and use of cannabis remain illegal at the federal level, traditional financial institutions have been hesitant to provide financing to entrants. Marijuana dispensaries differentiate themselves through product offerings and prices. Research and development is high among growers and new products are constantly arriving in the marketplace, creating opportunities for differentiation. Marijuana dispensaries depend on customer service and knowledgeable employees to attract customers. As a retail business, dispensaries rely more heavily on labor than capital investments.
- Substitutes - do it yourself- Individuals are opting to grow their own marijuana plants at home as a substitute for purchasing from marijuana stores. Personal cultivation enables

consumers to control plant quality and avoid added expenses associated with retail products. Some potential buyers may substitute marijuana with alcohol or more illicit substances for recreational use; some may also purchase from less legal sources to save money since stores upcharge to cover licensing fees.

Concentration <b>Low</b>	Competition <b>High</b> Increasing	Barriers to Entry <b>High</b> Decreasing
Substitutes <b>High</b> Steady	Buyer Power <b>Moderate</b> Increasing	Supplier Power <b>Moderate</b> Steady

Profit in this industry varies on differing laws